

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  NATURAL GAS SUPPLY AND COST REVIEW	DOCKET NO. RMU-99-11
---	----------------------

**ORDER COMMENCING RULE MAKING**

(Issued October 5, 1999)

Pursuant to the authority of IOWA CODE §§ 17A.4 and 476.6(15) (1999), the Utilities Board proposes to adopt the amendments attached hereto and incorporated by reference. These rules amend IOWA ADMIN. CODE 199-19.11 (1999). The reasons for proposing the amendments are set forth in the attached notice of intended action.

**IT IS THEREFORE ORDERED:**

1. A rule making proceeding identified as Docket No. RMU-99-11 is commenced for the purpose of receiving comments upon the proposed amendments attached to this order.

2. The Executive Secretary is directed to submit for publication in the Iowa Administrative Bulletin a notice in the form attached to and incorporated by reference in this order.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.  
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 5<sup>th</sup> day of October, 1999.

## **UTILITIES DIVISION [199]**

### **NOTICE OF INTENDED ACTION**

Pursuant to the authority of Iowa Code sections 476.6(15), 476.1, 476.2, and 17A.3 (1999), the Utilities Board (Board) gives notice that on October 5, 1999, the Board issued an order in Docket No. RMU-99-11, In Re: Natural Gas Supply and Cost Review, "Order Commencing Rule Making," to receive public comment on the adoption of revisions to the Board's rule 199 IAC 19.11. The Board's current rule, 199 IAC 19.11, requires the Board to conduct an annual proceeding and requires each utility to file a 12-month plan and a 5-year natural gas procurement plan by November 1 of each year. In 1998 the legislature amended section 476.6(15) to allow the Board discretion in determining the appropriate interval between reviews of a rate-regulated utility's natural gas procurement and contracting practices. The amendment to the statute removed specific review criteria and states the utilities must file information as the Board deems appropriate.

In this rule making, the Board proposes to amend 199 IAC 19.11 to state that the Board shall periodically conduct a contested case proceeding for the purpose of evaluating the reasonableness and prudence of a rate-regulated utility's natural gas procurement and contracting practices. The Board will notify the utilities 90 days prior to the time they will be required to file a plan. In addition, in the years in which the Board does not conduct a contested case proceeding, it may require the utilities to file some information for the Board's review. The proposed amendments to the

rule removes the specific evaluation criteria from 199 IAC 19.11(4). Iowa Code section 476.6(15) no longer prescribes review criteria.

The Board does not find it necessary to propose a separate waiver provision in this rule making. The Board's general waiver provision in 199 IAC 1.3 is applicable to these rules.

Any interested person may file a written statement of position on the proposed rules no later than November 23, 1999, by filing an original and ten copies in a form substantially complying with 199 IAC 2.2 (2). All written statements should be directed to the Executive Secretary, Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319-0069.

A public hearing to receive comments on the proposed amendments will be held at 10 a.m. on December 7, 1999, in the Board's hearing room at the address listed above.

These amendments are intended to implement Iowa Code section 476.6(15).

The following amendments are proposed:

---

Item 1. Amend paragraph 19.11 as follows:

**199-19.11(476) Annual Periodic review of gas procurement practices**

Item 2. Amend subrule 199-19.11(1) as follows:

**199-19-11(1) Procurement plan.** The board shall periodically conduct a contested case proceeding for the purpose of evaluating the reasonableness and prudence of a rate-regulated public utility's natural gas procurement and contracting practices.  
The board will provide the utilities 90 days notice of the requirement to file a

procurement plan. In the years in which it does not conduct a contested case proceeding, the board may require the utilities to file certain information for the board's review. In years in which it conducts a full proceeding, A a rate-regulated utility shall file by November 1 of each year a complete, prepared direct testimony and exhibits in support of a detailed 12-month plan and a 53-year natural gas procurement plan, specific where commitment have been made, for the period commencing September 1 of the current year. A utility's procurement plan shall be organized as follows and shall include:

a. An index of all documents and information filed in the plan and identification of the board files in which documents incorporated by reference are located.

b. All contracts and gas supply arrangements executed or in effect for obtaining gas and all supply arrangements planned for the future 12-month and 53-year periods.

~~c. list and description of all other contracts or arrangements for obtaining gas reasonably avail able to the utility for the future plan periods which the utility did not execute.~~

d.c. An organizational description of the officer or division responsible for gas procurement and summary of operating procedures and policies for procuring and evaluating gas contracts.

e.d. A summary of the legal and regulatory actions taken to minimize purchased gas costs.

~~f.e.~~ All studies or investigation reports considered in gas purchase contract or arrangement decisions during the plan periods.

~~g.f.~~ A complete list of all contracts executed ~~during the previous 12 months~~ since the last procurement review.

~~h.g.~~ A list of other unbundled services available (for example, storage services if offered).

~~i.h.~~ A description of the supply options selected and an evaluation of the reasonableness and prudence of its decisions. This evaluation should show the relationship between forecast and procurement.

Item 3. Rescind subrule 199-19.11(3)

Item 4. Amend subrule 199-19.11(4) as follows:

**199-19.11(4) Evaluation of the plan.** The burden shall be on the utility to prove it is taking all reasonable actions to minimize its purchased gas costs. The board will evaluate the reasonableness and prudence of the gas procurement plan, considering:

- ~~— a. Volume, cost and reliability of the major gas suppliers available to the utility.~~
- ~~— b. The cost of alternative fuels available to the utility customers.~~
- ~~— c. The availability of gas in storage.~~
- ~~— d. The extent to which mix in contract terms ensures reliability.~~
- ~~— e. The legal and regulatory actions taken by the utility to minimize the cost.~~
- ~~— f. The gas procurement policies and practices.~~
- ~~— g. The price paid by other utilities for comparable contracts.~~

~~—h. The spot market for gas.~~

~~—i. The futures market for gas.~~

Item 5. Amend subrule 199-19.11(5) as follows:

**19.11(5) Disallowance of costs.** The board shall disallow any purchased gas costs in excess of costs incurred under responsible and prudent policies and practices. ~~The gas portion of the base rates and the~~ PGA factor shall be adjusted prospectively to reflect the disallowance.

October 5, 1999

/s/ Allan T. Thoms

Allan T. Thoms  
Chairperson